

Polish inflation shows limited room for easing in 2025

CPI inflation eased to 4.7% YoY in November, mainly on a statistical basis, while services and core inflation increased. The coming months should also bring a higher headline rate, peaking in March 2025. A decline later in 2025 should provide room for 75-100bp of rate cuts in 2025. The economy needs lower rates, but sticky core calls for moderate easing



Christmas markets in full swing in Wrocław, Poland

Poland's StatOffice has revised up November's CPI reading from 4.6% to 4.7% year-on-year, according to the flash estimate. This is still a decrease from 5.0% YoY in October, but the overall tone from the data is not very encouraging.

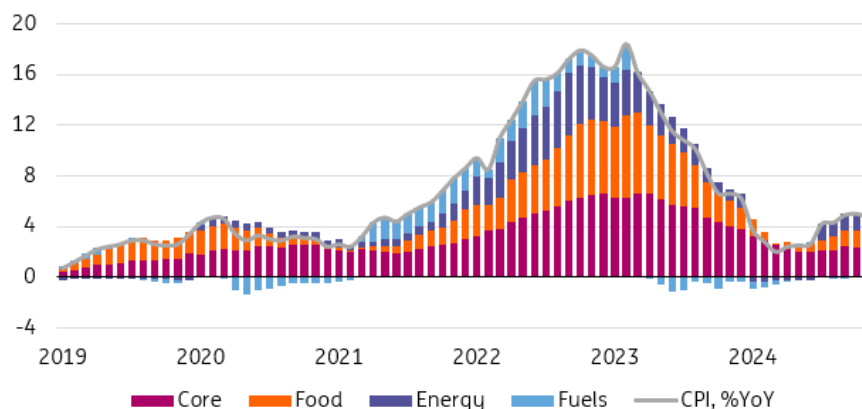
The drop in headline CPI is mainly due to statistical effects, i.e., a high base on fuel, as last November we saw a recovery in fuel prices after the September-October promotions from the 2023 election period.

Other reasons for cautiousness include still sticky core inflation, which rose to around 4.3% YoY from 4.1% YoY in October. This was driven by robust growth in the price of services of 7.2% YoY in

November, up from 6.7% YoY in October. Among other items, prices for telecommunications services (+1.9% month-on-month), water supply (+0.9% MoM), sewerage services (+0.7% MoM) and garbage collection (+0.6%MoM) rose compared to October. Tradeable goods prices growth slowed to 3.8% YoY from 4.3% YoY a month earlier.

Inflation down in November on high reference base in gasoline

CPI, %YoY, perc. points



Source: GUS, ING.

The drop in headline inflation in November was largely due to statistical factors, and the broader inflationary landscape might still cause concern for consumers, prompting them to be cautious with their spending. Core inflation remains persistently high (over 4% YoY), and the increase in service prices exceeds 7% YoY. Administered prices (water, sewage) are rising because they were previously kept at an artificially low level.

Last week, the National Bank of Poland (NBP) President, Adam Glapiński, presented a scenario in which inflation rises significantly in the fourth quarter of 2025 due to the increase in energy prices after the electricity price cap (PLN 500/MWh) is lifted at the end of September next year. This, combined with the gradual release of artificially frozen regulated prices (natural gas, water, sewage), may weigh on consumer sentiment and drive inflation expectations.

We do not share the NBP governor's opinion, and we expect that in mid-2025 the Energy Regulatory Office will lower the electricity tariffs and retail prices should remain broadly unchanged. Considering that wholesale prices in forward contracts for 2025 remain significantly below the current tariff for retail prices (PLN 623/MWh), the new tariff is unlikely to differ significantly from the current cap of PLN500/MWh. In this context, we still see room for interest rate cuts next year by 75-100bp – but in the context of recent statements by MPC members, the timing of the first cut is very uncertain, and the Council does not seem to have a clear vision of the optimal moment to start the monetary policy easing cycle.

Authors

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.